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3 May 1982

MEMORANDUM FOR: Director, Intelligence Community Staff

FROM : Special Assistant to the Director for
Interdepartmental Affairs

SUBJECT : DCI Meeting with PFIAB, 10 May 1982

1. The Director is scheduled to meet with the President's Foreign Intelligence Advisory Board on 10 May. This will be the Director's first opportunity to meet with the full PFIAB since 13 January. He will want to bring them up-to-date on the world scene as well as any significant developments in the intelligence community. He probably will open the meeting by introducing his nominee for Deputy Director, John McMahon.

2. For this meeting the Director needs the benefit of inputs from all NFIB agencies. I request, therefore, that your staff serve as the action component to pull together the community inputs and to prepare a set of talking points for the Director's use.

3. The Director's book should consist of the following:

- Talking points providing about a twenty minute presentation on the world situation and significant developments in the intelligence community.
- Copies of the inputs from each of the agencies.
- A summary of PFIAB activities and interactions with community agencies since 13 January.

4. The DDI, in coordination with the NIOs, probably can pull together most quickly talking points on the current world situation with a review of significant events since 13 January. DIA and State/INR should be invited, however, to make substantive contributions also. All other CIA components as well as all other NFIB agencies should be asked to provide a brief summary of significant developments and/or achievements in their particular areas of concern. Finally, your staff is best positioned to pull together a summary of PFIAB activities since 13 January, which will serve as background for the Director.

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5. This package should be passed to me no later than COB Thursday, 6 May to allow the Director an opportunity to review it and request any additional information on Friday, the 7th. Thank you for your assistance on such short notice. I discussed this project last Friday with Walt Elder who has already touched base with all NFIB agencies.

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cc: Acting Director
Executive Director
Chairman, NIC
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DRAFT LEADOFF PORTION OF DCI PRESENTATION OF PFIAB

When I spoke to you in January, I described some of the organizational changes we had made and the program we had set in motion to improve our collection capability--both technical and human source--and our analytical apparatus, especially our ability to turn out timely, policy-oriented estimates.

I want to update you on these programs in a minute, but I would like to start today with a quick review of the world situation. Events do not, of course, stand still for our changes.

Over the past few weeks the attention of the world has been directed to the Falkland Islands. Secretary Haig's effort to negotiate a settlement put a premium on our capability to keep him and the President abreast of events. We

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As the battle was joined around the Falklands, our attention began to turn to some of the longer-term implications. We are worried not only about domestic political developments in Argentina, but also about US relations with Latin America in general. We are also concerned about the implications of this crisis for NATO's military forces and for the political unity of the Alliance.

The Soviet Union, of course, is our number one priority. Economic performance remains dismal--GNP growth was less than 2 percent each of last three years,

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and agriculture is in the doldrums, although early signs suggest this year may be marginally better than last. The Soviet hard currency shortage effects not only purchases in the West, but traditional support for troubled East European economies and even the regular subventions to communist parties in the West. Even if Soviet agricultural output recovers from several terrible years, slower growth in the labor force, declining productivity, and poor prospects in the energy field are systemic problems that are likely to worsen.

We see the results in a variety of ways--cutbacks for the consumer, tougher terms for the East Europeans and third world aid recipients, new incentives for West Europeans to buy Soviet gas.

We cannot say that we have seen effect of economic stringency on the defense budget which we believe will continue to grow at a rate of 4 percent a year, taking an even larger share of GNP than it does now. The Soviets are still in Afghanistan, seeking to improve their capability vis-a-vis China and NATO and are deeply concerned about the resources the US is committing to defense.

On the strategic weapons side, this translates into initial deployment of an AWACs next year, new MIRVed missiles for the Typhoon SSBN and sea-launched cruise missiles in 1984, a new mobile solid propellant ICBM in 1985, and a B-1 type bomber in 1986. These are just the systems well along in the test phase; we are confident others are now in R&D.

Our most recent strategic forces estimate gives the USSR the capability to destroy close to 80 percent of our Minuteman silos today and over 90 percent by 1990. Strategic defenses are moving forward as well, creating major uncertainties about the effectiveness of a US retaliatory strike.

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Some 300 operational SS-20s plus other improved intermediate systems pose a particular threat to Europe, and, of course, account for the Soviet reluctance to accept the President's zero option proposal.

The conventional force balance is also heavily in Moscow's favor with Warsaw Pact forces outnumbering NATO by two to one in divisions and tanks, and by 1 1/2 to 1 in combat aircraft. New weapons and more of them per division, have added to the USSR's qualitative edge.

The Soviet military buildup, combined with weak resistance, has also encouraged Soviet activities in the Third World, using proxies and a diversified arsenal of arms sales, military training, logistical assistance, propaganda and economic aid, the USSR, in opportunistic fashion, continues to foster and exploit indigenous unrest in many regions. This is done to undermine US influence, to bring Soviet sympathizers to power and to acquire additional military bases. The resulting Soviet influence in countries like Syria, Ethiopia, Angola, South Yemen, India and Nicaragua, among others, will continue to cause difficulties for us and for friendly governments throughout the Third World. Indeed, a number of Soviet friends act both as surrogates for the USSR and, in the cases of Cuba, Libya, and PLO and Syria, as conduits for Soviet-bloc arms and training to groups that undertake terrorism.

Meanwhile, the Soviet leadership is in the midst of a succession; that is the meaning of all the unkind press stories about Brezhnev's relatives, the proliferation of Moscow rumors, and the shifting protocol standings of Politburo leaders, most dramatically brought out by varied appearances on the Kremlin reviewing stand. How long the succession period will last and who will come out on top is,

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I must confess, not clear.

Brezhnev's health obviously is critical.

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in early April that Brezhnev

would make a public appearance in 3-4 weeks. This was borne out at the Lenin Day ceremonies on 22 April and at May Day. KGB chief Andropov and Party Secretary Chernenko head the field now. Of course, the important thing for us is not who comes out on top, but what kind of policies a new leadership will adopt. We do not expect any sudden, dramatic changes.

Other parts of the world also demand our attention:

--Poland remains a problem and an enigma. The Soviets have continued to be uneasy about the internal situation and the ability of the regime to cope. Violence had been promised, but all observers seemed to have been somewhat uncertain as to what form it would take. The military regime seems to have been especially surprised by the willingness of the Polish people to risk life and limb on behalf of the freedom they lost with martial law. The regime showed, however, that it is willing to use whatever force is required to maintain its control. This problem will not go away and the authorities in Warsaw must now reevaluate their policy on the pace of easing martial law restrictions.

--The Middle East is a tinder box--there is, in this case, no more apt cliché. Israeli forces remain in strength in the north and on the

Golan; almost any act of terrorism could bring them into Lebanon again. The West Bank remains volatile as the deep-seated feelings, on all sides, continue to fester. Syria scraps with Iraq which hangs on against Iran. The Gulf States have a great fear of a victorious Iran able to refocus its energies to dominate the region. The moderates--Jordan, Saudi Arabia, Egypt--are torn between their desire for US support and a need to protect their domestic backsides against troublemaking by the Palestinians or the radical states. Libya continues its support for subversion in the Sudan, its involvement in the Yemens, and its warnings to the US against sea or air activity in the international waters of the Gulf of Sidra.

--Prospects for the Central American governments have improved somewhat over the past few months although this must remain a very tentative judgement--surely as long as the flow of arms to guerrilla groups continues. The election in El Salvador and the agreement on a new president are hopeful signs, as is the way the Rios-Montt government has taken control in Guatemala. Nicaragua continues both its crackdown on the few remaining non-Sandinista elements and its military buildup. Meanwhile, Soviet arms shipments to Cuba are running at a higher level than any time since the missile crisis. Many of these weapons are new and sophisticated. Some are intended for transshipment to Central America; others will free older Cuban weapons for transshipment.

--In sub-Saharan Africa, conditions remain volatile. For most of these countries, the global recession, slowed exports, and tightening aid

disbursements have sharply raised the risk of economic disaster. For many, sporadic military action, aging national leaders, and/or growing factionalism invite heightened Libyan, Soviet, or Cuban adventurism. In southern Africa, frustration is mounting over the Namibia stalemate. Areas of concern for the US over the next half year are likely to include the fall of a pro-Western government in Mauritius next month, the scheduled OAU pullout from Chad (also in June), recurring South African military incursions into Angola, seriously deepening economic problems in Zaire and Zambia, and growing financial and pre-election tensions in Nigeria. On the plus side, the West Africans appear to be resisting Libyan blandishments, and there has been some progress in redressing the chaos left by Idi Amin in Uganda.